

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re: ) Chapter 11  
)  
W. R. GRACE & CO., et al.<sup>1</sup> ) Case No. 01-01139 (JKF)  
)  
Debtors. ) (Jointly Administered)

In re: ) Chapter 11

**AFFIDAVIT OF JOHN A. MCFARLAND IN SUPPORT OF THE DEBTORS'  
OBJECTION TO THE ROYALTY CLAIM OF CIRCLE BAR RANCH**

John A. McFarland, being duly sworn, deposes and states:

1. I am Senior Corporate Counsel of W. R. Grace & Co.-Conn. ("Grace"), a corporation organized under the laws of the state of Connecticut and one of the above-referenced debtors and debtors-in-possession (collectively, the "Debtors") in these proceedings.

2. I am over 21 years of age. I submit this affidavit in support of the *Debtors'* *Objection to the Royalty Claim of Circle Bar Ranch*. Except as otherwise indicated, all facts set

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<sup>1</sup> The Debtors consist of the following 62 entities: W. R. Grace & Co. (f/k/a Grace Specialty Chemicals, Inc.), W. R. Grace & Co. Conn., A-1 Bit & Tool Co., Inc., Alewife Boston Ltd., Alewife Land Corporation, Amicon, Inc., CB Biomedical, Inc. (f/k/a Circe Biomedical, Inc.), CCHP, Inc., Coalgrace, Inc., Coalgrace II, Inc., Creative Food 'N Fun Company, Darex Puerto Rico, Inc., Del Taco Restaurants, Inc., Dewey and Almy, LLC (f/k/a Dewey and Almy Company), Ecarg, Inc., Five Alewife Boston Ltd., GC Limited Partners I, Inc., (f/k/a Grace Cocoa Limited Partners I, Inc.), GC Management, Inc. (f/k/a Grace Cocoa Management, Inc.), GEC Management Corporation, GN Holdings, Inc. GPC Thomasville Corp., Gloucester New Communities Company, Inc., Grace A-B Inc., Grace A-B II Inc., Grace Chemical Company of Cuba, Grace Culinary Systems, Inc., Grace Drilling Company, Grace Energy Corporation, Grace Environmental, Inc., Grace Europe, Inc., Grace H-G Inc., Grace H-G II Inc., Grace Hotel Services Corporation, Grace International Holdings, Inc. (f/k/a Dearborn International Holdings, Inc.), Grace Offshore Company, Grace PAR Corporation, Grace Petroleum Libya Incorporated, Grace Tarpon Investors, Inc., Grace Ventures Corp., Grace Washington, Inc., W. R. Grace Capital Corporation., W. R. Grace Land Corporation, Gracoal, Inc., Gracoal II, Inc., Guanica-Caribe Land Development Corporation, Hanover Square Corporation, Homco International, Inc., Kootenai Development Company, L B Realty, Inc., Litigation Management, Inc. (f/k/a GHSC Holding, Inc., Grace JVH, Inc., Asbestos Management, Inc.), Monolith Enterprises, Incorporated, Monroe Street, Inc., MRA Holdings Corp. (f/k/a Nestor-BNA Holdings Corporation), MRA Intermedco, Inc. (F/k/a Nestor-BNA, Inc.), MRA Staffing Systems, Inc. (f/k/a British Nursing Association, Inc.), Remedium Group, Inc. (f/k/a Environmental Liability Management, Inc., E&C Liquidating Corp., Emerson & Cuming, Inc.), Southern Oil, Resin & Fiberglass, Inc., Water Street Corporation, Axial Basin Ranch Company, CC Partners (f/k/a Cross Country Staffing), Hayden-Gulch West Coal Company, H-G Coal Company.

forth in this affidavit are based upon my personal knowledge, information supplied to me by other members of the Debtors' management and professionals, or learned from my review of relevant documents. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this affidavit.

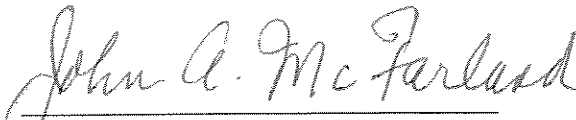
3. Between June 1974 and September 1980, Grace (then named W. R. Grace & Co.) and Circle Bar Ranch, Inc. ("Circle Bar") entered into three Exploration Agreements with Options to Purchase (collectively, the "Option Agreements"). The Option Agreements among other things grant Grace options to purchase certain real estate in Routt County, Colorado.

4. The Option Agreements provide that if the options are exercised and Grace obtains the right to mine coal in areas in which the real estate is located, Grace is required to pay Circle Bar royalties for coal mined in those areas up to specified totals.. The options were exercised and the property sold to an affiliate of Grace in 1980.

5. Grace and its affiliates never mined any coal from the land purchased under the Option Agreements.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: February 26, 2007

  
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John A. McFarland  
Senior Corporate Counsel  
W.R. Grace & Co-Conn.

Sworn to and subscribed before

me this 26<sup>th</sup> day of February, 2007

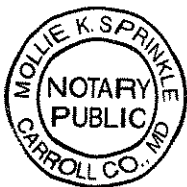


Mollie K. Sprinkle

Notary Public, Carroll County, Maryland

My commission expires: December 1, 2010

Acting in the County of Howard



MOLLIE K. SPRINKLE  
Notary Public, State of Maryland  
County of Carroll  
My Commission Expires December 1, 2010